DOCUMENT RESUME

ED 283 919 UD 025 605

TITLE	Welfare: Issues to Consider in Assessing Proposals for Reform. Briefing Report to the Honorable William V. Roth, Jr., United States Senate.
INSTITUTION	General Accounting Office, Washington, D.C. Div. of Human Resources.
REPORT NO	GAO/HRD-87-51BR
PUB DATE	Feb 87
NOTE	46p.
AVAILABLE FROM	U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, MD 20877 (first 5 copies free, additional copies $2.00 each, 25% discount on orders for 100 or more).
PUB TYPE	Information Analyses (070) -- Reports - General (140)
EDRS PRICE	MF01/PC02 Plus Postage.
DESCRIPTORS	*Delivery Systems; Family Problems; *Federal Government; *Federal Programs; Poverty; *Program Effectiveness; State Government; Unemployment; *Welfare Services
IDENTIFIERS	*Aid to Families with Dependent Children

ABSTRACT

This report provides an overview of research findings on major Federal welfare system design issues. The report is based on: a review of 100 major welfare studies completed since 1975; interviews with Federal, State, and local welfare officials; the results of the General Accounting Office's (GAO) welfare work; and an analysis of the Census Bureau's Survey of Income and Program Participation data. The report focuses on questions concerning: (1) benefit targeting and adequacy (whom should welfare serve and how much should recipients get?); (2) system complexity (what form should benefits take, and how should benefits be funded and delivered?); (3) work incentives versus dependency; and (4) impact on the family unit. Several important problems identified are the following: (1) confusion over whether welfare should provide for demonstrated needs or strive to eradicate poverty altogether; (2) complexity, high cost, and inefficiency of the existing program; and (3) while it has not been proved that receipt of welfare is a major disincentive to work, welfare appears to have done little to encourage work. Research does not support the view that welfare encourages two-parent families to break up, or that unmarried women have children in order to become eligible. Three appendices include a discussion of welfare evolution and reform efforts; selected summary information for all household units in the United States for September, 1983; and a list of GAO welfare reports issued, 1980-1987. A bibliography of major studies reviewed is also included. (KH)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

ED 288 680

United States General Accounting Office

GAO

Briefing Report to the Honorable
William V. Roth, Jr.
United States Senate

February 1987

WELFARE

Issues to Consider in Assessing Proposals for Reform

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

U.S. GAO

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

GAO/HRD-87-61BR

BEST COPY AVAILABLE

GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-225966

February 19, 1987

The Honorable William V. Roth, Jr.
United States Senate

Dear Senator Roth:

In response to your March 27, 1986, request for information to aid the Congress in evaluating proposed welfare reforms and later discussions with your office, we have developed information on (1) major welfare system design issues and (2) the sources and income levels of sampled families receiving Aid to Families With Dependent Children (AFDC). This is our briefing report on the system design issues. We will report on AFDC families' incomes later.

We have categorized the results of our work into four areas: (1) benefit targeting and adequacy, (2) system complexity, (3) work incentives versus dependency, and (4) impact on the family unit. These areas correspond to the welfare issues being discussed by the administration and those persistently addressed by researchers and the federal government over the last decade.

This report presents these issues in terms of questions that should be considered in debating welfare reform. The report is based on our review of about 100 major welfare studies completed since 1975; interviews with federal, state, and local welfare officials; the results of GAO's past and ongoing welfare work; and an analysis of the Census Bureau's Survey of Income and Program Participation (SIPP) data. During this review, we conferred with a number of welfare experts. Those debating welfare should first agree on such basic terms as welfare, poverty, and income, which are often defined differently. Varying types and numbers of programs are described as welfare, various standards are used to measure poverty, and various definitions are used for income.

A summary of the results of our work follows.

BENEFIT TARGETING AND ADEQUACY

Resolving this issue requires answering at least two basic questions: "Whom should welfare serve?" and "How much should recipients get?"

Whom Should Welfare Serve?

The answer to this question depends on whether welfare is expected to respond, on a program-by-program basis, to individuals' demonstrated needs or eradicate, or significantly reduce, poverty.

Much of the frustration voiced about the present system seems based on the assumption that it is dedicated primarily to reducing or eradicating poverty, and it is not. The present system quite definitely seeks to respond to individual needs. Most programs do not restrict their benefits to persons with incomes below the federal poverty line. Moreover, some persons whose incomes are below the poverty line do not receive benefits.

How Much Should Recipients Get?

The answer to this question also depends on what we want welfare to achieve--answer specific needs or raise people's income to the poverty line. Researchers generally evaluate the adequacy of welfare by determining whether benefits, along with other incomes, will lift recipients to the poverty line. Yet researchers and GAO have concerns about the appropriateness of the poverty line as a standard (e.g., it does not reflect geographic differences). Also, there remains the problem of accurately determining welfare family income. Barriers we encountered in identifying AFDC family income sources and amounts include (1) determining income available for a recipient who lives with nonrecipients; (2) determining participation in other programs, such as housing and food stamp; and (3) valuing in-kind benefits.

Variations within and among programs cause recipients in similar circumstances to receive different benefit amounts, thus raising some but not others to the poverty line. As a result, researchers have concluded that some recipients are treated unfairly.

COMPLEXITY

Legislative, oversight, and administrative responsibilities for welfare programs are scattered among many entities (see figure 3 on p. 20). Welfare is often criticized as complex, costly, and inefficient. How to deliver benefits in a way that makes sense to recipients, administrators, and taxpayers requires answering at least three questions: What form should benefits take? How should they be delivered? How should delivery and benefit costs be funded?

What Form Should Benefits Take?

Welfare benefits take two forms, cash and in-kind, such as food stamps and medical care. Which form should be provided is a

subject of continuing disputes. In-kind expenditures have grown steadily over the past 20 years and now comprise over 70 percent of all federal expenditures on 95 means-tested welfare programs.

Research does not show clearly whether in-kind programs are more advantageous to recipients or taxpayers than a single cash program. It does show that the many in-kind programs lead to many recipients participating in several programs and, thus, to more eligibility determinations and administrative records. This complexity has led to more computer matching to verify data provided by applicants and recipients, which in turn has raised privacy concerns.

How Should Benefits Be Delivered?

The current complex, fragmented delivery system is seen as inefficient and costly, and causes widespread dissatisfaction among recipients, administrators, and taxpayers. We are evaluating integration of services as a way to reduce complexity and thereby improve recipient access to programs, eliminate needless bureaucracy, and reduce administrative costs. In a recent GAO survey, most states indicated that integrating services could increase welfare participation and decrease administrative costs.

How Should Delivery and Benefit Costs Be Funded?

Researchers say some program funding interactions create incentives for states to shift benefit costs to the federal government. For example, some argue that states are reluctant to raise AFDC benefits (roughly half of which are paid for by the states) because of the interaction with Food Stamp benefits, which are fully federally funded. If a state raises its AFDC payments, Food Stamp benefits are lowered for persons participating in both programs. The extent to which this interaction influences states' decisions to set AFDC benefit levels is unknown.

Researchers also report that funding arrangements for some programs lead to an inequitable distribution of federal funds among states. For example, they report that federal cost sharing for AFDC and Medicaid has resulted in some states, which rank high in per capita income and pay higher benefit levels under more liberal eligibility standards, receiving a higher level of federal funds than some lower per capita income states.

WORK/DEPENDENCY

Research indicates the present system has features that might reduce incentives for recipients to work. The effect of these features on recipient work behavior has been debated extensively.

Is Work Discouraged?

Research does not indicate conclusively that the receipt of welfare is a major disincentive to work. Conversely, welfare appears to have done little to actively encourage work. To address this latter issue, legislation was passed in 1981 that allowed states new options in establishing work requirements for some programs, and the administration proposed making work requirements mandatory for AFDC recipients. We have studied and are studying work programs run by state AFDC agencies to determine if they can effectively help recipients leave welfare. We have found that some state work programs have had encouraging results, but the long-term prospects of the programs remain uncertain.

FAMILY UNIT

Research does not support the view that welfare encourages two-parent families to break up, or that unmarried women have children in order to become eligible for benefits.

Are Families Adversely Affected?

Concerns over welfare's impact on family stability stem largely from AFDC's single-parent focus. About half the states have not elected the option of providing AFDC to two-parent families when the principal wage earner is unemployed. However, research indicates that (1) the focus of the AFDC program does not cause families to break up to receive benefits, and (2) welfare does not appear to encourage unmarried women to have children in order to become eligible for benefits (though it may influence their decision to live independently).

- - - -

As requested by your office, we did not obtain formal agency comments on this report. However, we discussed our work with officials at various federal agencies when we were identifying pertinent research in the area. As agreed, unless you publicly announce the contents earlier, we plan no further distribution of this briefing report until 30 days after its issue date. At that time, we will send copies to other interested parties and make copies available to others who request them.

Sincerely yours,

Joseph F. Delfico
Senior Associate Director

Contents

		Page
	LETTER	1
	WELFARE: ISSUES TO CONSIDER IN ASSESSING PROPOSALS FOR REFORM	7
	Introduction	7
	Welfare/Welfare System	7
	Welfare Recipients	7
	Interest in Welfare Reform	8
	Objectives, Scope, and Methodology	9
	Need for Agreement on Definition of Terms	10
	The Issues	11
	Benefit Targeting and Adequacy	12
	Whom Should Welfare Serve?	12
	How Much Should Recipients Get?	15
	Complexity	17
	What Form Should Benefits Take?	17
	How Should Benefits Be Delivered?	19
	How Should the Delivery and Benefit Costs Be Funded?	21
	Work Dependency	22
	Impact of Guaranteed Incomes	23
	Effects of Benefit Loss Due to Earnings and of Benefits More Generous Than Earnings	24
	Work Requirements	25
	Family Unit	26
	Are Families Adversely Affected?	26
APPENDIX		
I	Welfare Evolution and Reform Efforts	28
II	Selected Summary Information for all Household Units in the United States for September 1983	31
III	GAO Welfare Reports Issued--1980 to 1987	32
	BIBLIOGRAPHY OF MAJOR STUDIES REVIEWED	35
Tables		
1	September 1983 Estimates of Participation in Selected Welfare Programs	8
2	Benefit Reduction Rates Caused by Increased Work (January 1980)	25

Page

Figures

1 Measures of Poverty (January 1986) 10

2 Effect of Valuing In-kind Benefits on the Number of People Classified as in Poverty (1985) 11

3 Administrative Network for Selected Basic Needs Welfare Programs 20

ABBREVIATIONS

AFDC	Aid to Families with Dependent Children
EITC	Earned Income Tax Credit
FAP	Family Assistance Program
GAO	General Accounting Office
PBJI	Program for Better Jobs and Income
SIPP	Survey of Income and Program Participation
SSI	Supplemental Security Income
USDA	U.S. Department of Agriculture
WIN	Work Incentive Program

WELFARE: ISSUES TO CONSIDER IN ASSESSING PROPOSALS FOR REFORM

INTRODUCTION

The U.S. welfare system has been and continues to be criticized. Despite a number of major reform proposals offered in recent years, few changes have been made to the system's basic design. The Reagan administration's concerns over the effects and costs of welfare have renewed interest in reforming the welfare system. In December 1986, the President's Domestic Policy Council issued a draft report on the results of its study of welfare, which is expected to lead to reform proposals. To assist the Congress in evaluating proposed reforms, we have surveyed welfare issues that are persistently studied and debated, but remain unresolved.

Welfare/Welfare System

There is no common agreement on the programs that constitute welfare. It may mean a few basic assistance programs centered on the Aid to Families With Dependent Children (AFDC) program or as many as the 95 needs-based programs identified in our report Federal Benefit Programs: A Profile (GAO/HRD-86-14, Oct. 17, 1985). The 95 programs provide seven kinds of assistance--cash, education, food, housing, medical, jobs and employment, and various other services--to low-income, needy, and/or distressed individuals.

To test for need, the income and assets available to an individual or family are assessed. Then, based on a set of program-specific need and payment standards, a determination is made as to whether the individual or family qualifies for assistance and at what level.

In recent years, annual federal expenditures for the 95 programs have totaled more than $90 billion. The major programs in the system targeted specifically to people with low income are AFDC, Supplemental Security Income (SSI), Medicaid, Food Stamp, Public and Section 8 Housing, and the School Breakfast and Lunch programs.

Welfare Recipients

Poverty studies by the Census Bureau have shown that in recent years around 30 million persons, or about 14 percent of the nation's population, generally lived in poverty at any one time. The incidence and number of people in poverty vary greatly among demographic groups. Children, blacks, Hispanics, women, and persons living in single-parent families are more likely to be

poor than the aged, whites, males, and persons living in married couple families.

Welfare recipients generally are single- or two-parent families with children, or the aged, blind, and disabled. According to estimates based on the Census Bureau's latest Survey of Income and Program Participation (SIPP), about one in five households nationwide was receiving welfare benefits in September 1983, as shown in table 1.

Table 1:

September 1983 Estimates of Participation in Selected Welfare Programs

	Percentage of all U.S. households
Total U.S. households--84,756,000	100.00
Participating in one or more welfare programs	18.02
Participation in programs in research we reviewed:	
Food Stamp	7.34
Medicaid	6.27
Free School Lunch	5.54
SSI	3.18
AFDC	3.12
Public Housing	2.57
Free School Breakfast	1.89
Energy Assistance	1.65
Section 8 Housing	1.63

Because programs often are targeted to overlapping groups, many recipients participate in several programs simultaneously. More than 8 out of 10 households on welfare participated in two or more programs during September 1983, according to the SIPP data. About half the households participated in three or more programs.

Interest in Welfare Reform

The aggregation of federally sponsored programs that make up the present welfare "system" evolved from a small cash grant effort that was born with the passage of the Social Security Act in 1935. Over the ensuing half century, this system has grown, diversified, and inspired and frustrated reform efforts. A more detailed history of the system and attempts to reform it may be found in appendix I.

The President, in his February 4, 1986, State of the Union Address, and administration officials, in later discussions of the need for the study by the President's Domestic Policy Council, contended that welfare

-- is ineffectively targeted and sometimes inadequate (some persons who are not poor receive benefits, while some poor do not receive enough);

-- is needlessly complex (causing administrative problems, unnecessary costs, and applicant/recipient confusion);

-- undermines the work ethic and fosters dependency; and

-- threatens the family unit (discourages two-parent families and may encourage out-of-wedlock births).

These concerns correspond to major welfare design issues researchers have been studying over the last 10 years.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective was to develop an overview of the major welfare design issues. To identify issues, we examined more than 100 welfare studies completed since 1975 and interviewed federal, state, and local welfare officials. We also drew on results of our past and ongoing welfare work, including an analysis of the Census Bureau's SIPP data and reviews of welfare program case files for 1,200 families in four states. To avoid focusing on problems in individual programs, we selected studies that included two or more major welfare programs. We did not assess the methodology used in the studies reviewed. Finally, we conferred with a number of welfare experts, two of whom commented on a draft of this report.

The studies were identified through bibliographic data bases, reference lists, and discussions with welfare consultants and with federal welfare officials at the Departments of Health and Human Services, Agriculture, and Housing and Urban Development. We identified hundreds of newspaper articles and editorials, magazine articles, technical journal articles, books, studies, and reports on welfare problems. A bibliography of the major studies reviewed appears at the end of this report, and a list of GAO's welfare reports issued between 1980 and 1987 is in appendix III.

We developed data on welfare program participation by analyzing the Census Bureau's SIPP data. These data represent information obtained on income and federal program participation from a stratified sample of about 20,000 households nationwide--a nationally projectable sample. We used the SIPP data and the Census Bureau's estimating methodologies to make nationwide estimates of

program participation for September 1983. Appendix II contains further explanations of these methodologies. Rather than independently validating the reliability of the SIPP data, we accepted the Census Bureau's procedures to ensure data reliability.

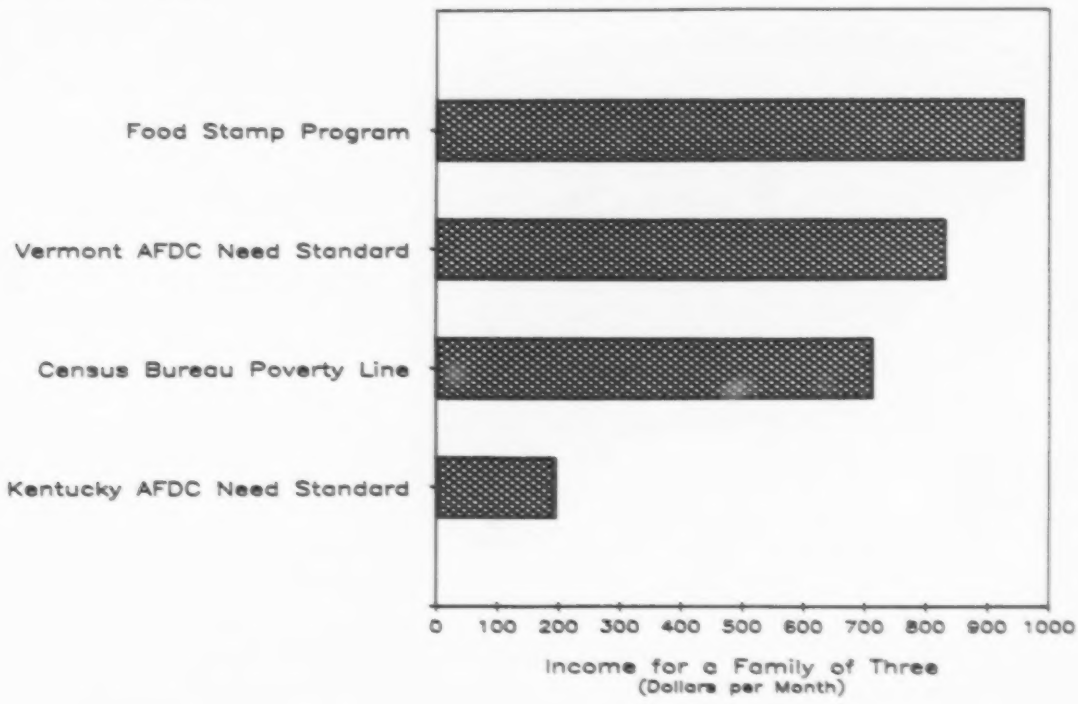
NEED FOR AGREEMENT ON DEFINITION OF TERMS

To avoid confusion, those debating welfare issues should first agree on the meaning of certain terms which are assigned various definitions. Examples:

Welfare/Welfare System. As stated on page 7, there is no common agreement on the programs that constitute welfare. In the literature, varying types and numbers of programs are described as welfare.

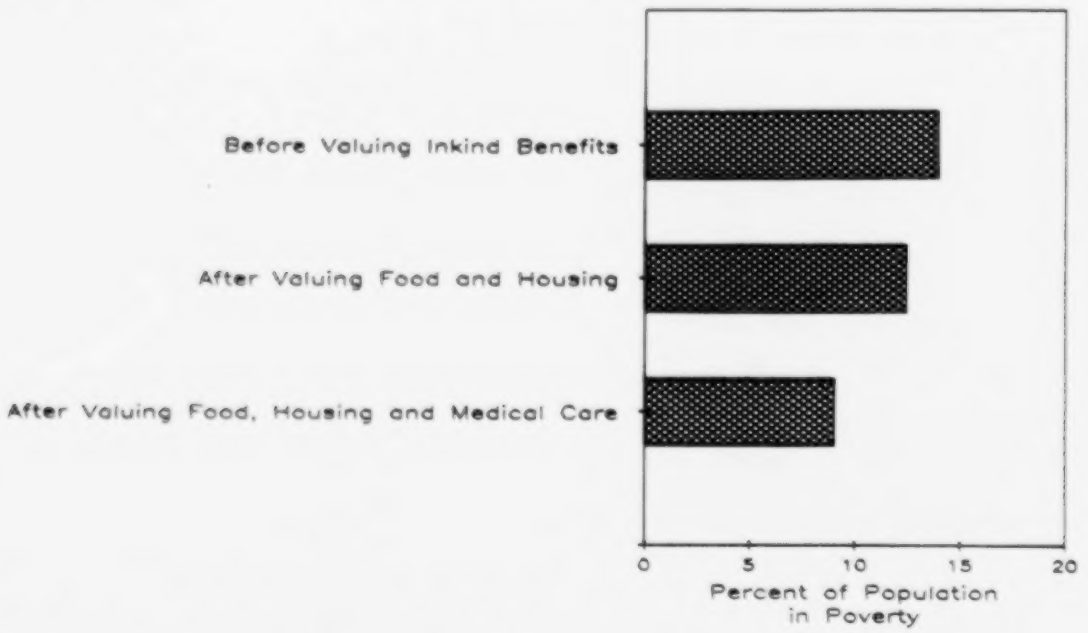
Poverty may mean having income below (1) the poverty threshold established by the Census Bureau; (2) states' standards, developed for specific programs, such as the needs standard each state develops for AFDC; or (3) federal gross income eligibility thresholds established for programs such as the Food Stamp program.

Figure 1: Measures of Poverty
(January 1986)



Income as used by researchers to determine who is poor sometimes is defined as cash income only, and sometimes as cash and all in-kind benefits such as food stamps, and sometimes as cash and all in-kind benefits except Medicaid. How income is defined can significantly affect the extent to which an individual or family is lifted toward or above the poverty line. The Census Bureau uses only cash income to determine the official poverty rate but has published data that demonstrate that including in-kind income significantly alters the poverty rate.

Figure 2: Effect of Valuing Inkind Benefits on the Number of People Classified as in Poverty
(1985)



THE ISSUES

In this report, we framed the issues as questions we believe the Congress and others should consider as they debate proposals to reform welfare. While considerable research has been conducted on these questions, surprisingly few answers have been suggested. Resolution of the issues requires policymakers to make difficult value judgments.

Benefit Targeting and Adequacy

Benefit targeting and adequacy encompass at least two basic questions: "Whom should welfare serve?" and "How much should recipients get?" Opposing political views, as well as problems with how to measure poverty and determine income and living costs, have thwarted attempts to answer these questions.

Whom Should Welfare Serve?

The answer to this question depends on the answer to another: What should welfare achieve? And this second question has at least two answers: (1) A meaningful response, on a program-by-program basis, to individuals' demonstrated needs, or (2) eradication, or at least significant reduction, of poverty.

The present welfare effort seeks to respond to individual needs. Much of the frustration voiced about the present system seems to be based on the assumption that it is dedicated to eradicating or significantly reducing poverty. It is not. This is evident when one considers that welfare programs do not tie income eligibility directly to the federally established poverty thresholds. Clients of some programs include those whose income is above the poverty line. Other programs restrict eligibility to those whose incomes are well below the poverty line.

Defining the Poor--The federal government defines "poor" through poverty thresholds that vary by family size. A family is officially poor if its cash income is below the threshold, or poverty line, by even one dollar. If its income exceeds the threshold, the family is not poor.

Official poverty thresholds originated at the Social Security Administration in 1964. The poverty line was based on the U.S. Department of Agriculture's (USDA's) 1961 Economy Food Plan and sought to reflect consumption requirements based on family size and composition. The formula that produced the poverty line was derived from USDA's 1955 Survey of Food Consumption, which found that families of three or more spend about a third of their income on food. Thus, the poverty line was set at three times the cost of the economy food plan. The poverty thresholds have been updated annually since 1969 to reflect changes in the Consumer Price Index.

Targeting Benefits--Evaluations of how well benefits have been targeted have attempted to show the extent to which the poor are receiving benefits and whether the benefits are lifting them out of poverty. Since these evaluations are tied to the poverty line, we believe interpreting their results is dependent on the validity of the often-criticized poverty line. Researchers report the following weaknesses in the poverty line:

-- The costs and spending patterns assumed by the poverty formula have changed. For instance, recent surveys have found low-income families spend less than one-third of their income on food.

-- The poverty line does not reflect geographic and family differences other than family size. A 1984 study by the University of Wisconsin's Institute for Research on Poverty found that: urban living costs were 18 percent higher than rural costs; a teenager in the household raised basic costs by 8 percent; and families with two adults had expenditures 18 percent greater than single-adult households of the same size.

Targeting benefits to families in poverty is difficult because, as stated earlier, income eligibility standards vary among programs and are not tied directly to the poverty line. For example, in 31 states federal gross income eligibility standards for AFDC benefits and Medicaid are above the poverty line, and the Food Stamp program allows gross income of up to 130 percent of the poverty line. Also, because most recipients participate in several programs simultaneously and because benefits of the various programs are not fully coordinated, many recipient incomes, after welfare benefits, exceed poverty thresholds.

A 1985 study by the Advisory Commission on Intergovernmental Relations[1] of four major welfare programs showed that for each dollar spent, the poverty gap--that is, the difference between the income of all the officially poor and the poverty line--was reduced by less than 50 cents. Specifically, the Commission reported that welfare expenditures in 1983 totaled $127 billion, or more than twice the $62 billion poverty gap. Cash transfers and in-kind benefits at market value for food stamps, housing and medical benefits totaled $77.4 billion in 1983 and reduced the poverty gap by $33.8 billion, or a 44-percent efficiency of poverty gap reduction to amount spent, according to the study. The study said that although no one expects a one-to-one correspondence between dollars spent and poverty alleviated, the 1983 efficiency ratio may be unacceptably low.

The study said also that the small ratio of poverty gap reduction to welfare dollars spent is due, in part, to the difficulty of targeting benefits to lift recipients only up to the poverty threshold. Many welfare recipients in 1983 were above the

---

[1]This Commission was created by the Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. It is a permanent national bipartisan body representing the executive and legislative branches of federal, state, and local governments and the public.

poverty line after receipt of benefits, yet any benefits received in excess of the poverty line were not counted as reducing the poverty gap, according to the study.

Another problem with targeting benefits only up to poverty thresholds is the potential work disincentive effect. If benefits were capped at the poverty line, they would be reduced dollar for dollar if earnings raised total income (including cash and in-kind welfare benefits) above the line. Such a cap may result in a significant work disincentive, as discussed on pages 24-25.

Some Eligible Persons Do Not Participate in Welfare--Some persons who would be eligible for welfare do not participate reportedly because they

-- are not provided local outreach services to make them aware of the programs and help them apply for benefits,

-- perceive that society places a stigma on receiving welfare, and

-- have difficulty dealing with the forms and procedures necessary to receive assistance.

A 1976 survey by the Washington Urban League of low-income families in Washington, D.C., showed less than half the respondents to a questionnaire had been to a local social service agency to get information on programs and benefits that might be available to them. Similarly, in 1983 USDA estimated that more than 40 percent of those persons eligible for food stamps did not participate because they did not know they were eligible.

Research showed that the stigma of receiving welfare can cause hardships. GAO reported in 1981, for example, that some landlords were reluctant to rent to welfare recipients. Negative attitudes toward welfare recipients are reflected in the regulations and procedures of programs as well as the attitudes of administrators, according to a 1977 report by the Secretary of Health, Education, and Welfare. In 1983, a researcher reported that, in the Food Stamp program, almost 1 in 10 persons eligible but not participating said they did not participate because of welfare stigma.

Researchers have also found that persons needing welfare often are poorly equipped--because of functional illiteracy, physical or mental disability, or a heritage of discrimination--to complete the forms and follow the procedures necessary to receive assistance.

How Much Should Recipients Get?

The answer to this question also depends on what one wants welfare to achieve--answer specific needs or raise people's income above the poverty level.

Using a variety of methods, the federal government sets benefit levels for some programs, such as Food Stamp and SSI. For other programs, such as AFDC and Medicaid, it influences benefit levels through control of matching funds, but the states retain substantial discretion in setting benefit levels. In AFDC, for example, each state establishes a needs standard (which represents the income needed for such necessities as food, shelter, clothing, and utilities) and then pays all or a portion of the standard. Because all goals of adequacy are subject to federal and state budgetary constraints, benefits actually provided may be significantly less than the level of adequacy.

Benefit Adequacy--What constitutes an adequate level of benefits? This question assumes a benchmark of adequacy. The benchmark frequently used by researchers is the poverty line. Yet, researchers and GAO have doubts about using the line in this way because of the weaknesses discussed on page 13. Moreover, even if the poverty line were an adequate benchmark, there remains the problem of accurately defining what constitutes income. In the absence of a generally accepted definition, some researchers have used cash income and in-kind benefits to compare against the poverty line while others have used cash income only.

Obstacles we encountered in trying to identify sources and amounts of income include

-- determining what income is available for recipient support in a household where the recipient lives with non-recipients,

-- determining the number of programs a recipient participates in, and

-- valuing in-kind program benefits.

The largest obstacle is valuing in-kind benefits, which have burgeoned over the past two decades and today account for about 70 percent of all welfare costs. The method used to value in-kind benefits can significantly influence the resulting income amounts. For example, in a 1984 study, the Census Bureau used three methods to value food, housing, and medical benefits:

-- Market value = the cost of purchasing similar benefits in the market.

-- Recipient value = amount unsubsidized consumers with characteristics similar to recipients (income, family size, etc.) pay for goods or services; e.g., housing, food, medical care.

-- Poverty budget share = upper dollar limits assigned to benefit values, based on current poverty thresholds and expenditures by families at or near the poverty line.

The highest income amounts resulted from using the market value method, the least from using the recipient value method.

Even if an agreed-upon valuation method can be found, there is no agreement that in-kind income is the same as cash income. Medical benefits, for example, are the most controversial in-kind benefit to value because some researchers believe the assumed income distorts perceptions about a recipient's well-being. Medical benefits alone sometimes exceed the poverty line. The Advisory Commission on Intergovernmental Relations argued that, unlike food and housing needs, the health needs of families in comparable circumstances vary enormously depending on household size, age, region, and other demographic factors. A 1980 GAO report noted that, until a value for medical benefits was added, many welfare families had incomes below the poverty line.

In a Census Bureau study, the value of medical benefits in the years 1978-82 accounted for about half to two-thirds of the total poverty reduction, depending on the method used to value in-kind benefits. Thus, many families are assumed to be above the poverty line based on income derived from valuing medical benefits.

Overlapping benefits can cause some recipients to receive more benefits than may be needed. For example, a 1978 GAO report noted that some households receiving benefits from the Food Stamp, AFDC, School Lunch, and School Breakfast programs obtained between 104 and 192 percent of the basic needs prescribed by USDA's Thrifty Food Plan dietary guidelines. Food needs were exceeded without counting any other household income.

Equity of Benefit Distributions--Some programs are criticized for variations in benefit amounts that are considered inequitable. For example, states individually set AFDC benefit levels that vary widely between and within states and cause differences in the amounts of benefits received by similarly situated families. In January 1986 considerably higher maximum monthly AFDC benefits were available to a family of three living in Kansas City, Kansas, than a similar family living across the river in Kansas City, Missouri ($394 versus $274). Conversely, because Food Stamp benefits are reduced for AFDC benefits, lower Food Stamp benefits were available to the Kansas family than the Missouri family ($163 versus $199).

Also families can receive different benefit levels depending on whether the state enrolls in federal program options, such as the AFDC options to (1) extend assistance to unemployed two-parent families, (2) provide aid to pregnant women, and (3) provide emergency assistance to eligible families.

A 1980 GAO report found that a welfare family's financial well-being is significantly affected by the availability of federal housing assistance. A welfare family in 1980 who lived in subsidized housing had about $1,900 more in annual income than did a similar welfare family who lived in nonsubsidized housing. The family in subsidized housing had extra available cash. Because of funding shortages in 1984, subsidized housing was available to only 15 to 20 percent of families who were income eligible. Shortages of subsidized housing result in an inequity between those who are in subsidized housing and those who must obtain housing in the marketplace.

Complexity

Welfare is criticized as complex, costly, and inefficient. How to deliver benefits in a way that makes sense to recipients, administrators, and taxpayers, in our view requires answering three questions: What form should benefits take? How should they be delivered? How should delivery and benefit costs be funded?

What Form Should Benefits Take?

Welfare benefits take two forms--cash and in-kind. Deciding in which form to give benefits is a controversial issue. One researcher suggested that in-kind programs are a political necessity that must be maintained to ensure taxpayer support for the welfare system.

Over the past 20 years, in-kind expenditures have grown steadily and now account for about 70 percent of total federal welfare expenditures. Research provides arguments for and against in-kind benefits but gives no clear answer as to whether they are more advantageous than a single cash program. Research does show that in-kind programs lead to many recipients participating in several programs simultaneously and, thus, to more eligibility determinations and administrative records. This complexity has led to more computer matching to verify information provided by applicants and recipients, which in turn has raised privacy concerns.

The major arguments surrounding in-kind versus cash benefits are whether

-- providing in-kind benefits instead of cash is necessary to prevent inappropriate spending choices by recipients,

-- one form creates more of a work disincentive than the other, and

-- one form is more efficient in reducing poverty than the other.

Some researchers have argued that recipients may demonstrate immature behavior and, therefore, in-kind programs are needed to increase control over client use of benefits. The Advisory Commission on Intergovernmental Relations said recipients may not be willing or able to make appropriate spending choices. For example, some parents may not save out the food money from a cash benefit or know how to prepare a nutritious meal and, thus, school lunch and breakfast programs appear to be appropriate to assure proper nutrition for their children.

An experiment made in the late 1960's and early 1970's[2] showed that welfare recipients' work efforts decreased as guaranteed cash incomes were increased. This has been taken to support the view that increasing cash benefits reduces work efforts. On the other hand, it has been argued that work efforts are reduced because many in-kind benefits are reduced by earned income.

A researcher at the University of Wisconsin's Institute for Research on Poverty argued that some recipients, such as aged SSI recipients, are not expected to work and, thus, would not be affected by the form of benefits.

In 1985, the Advisory Commission on Intergovernmental Relations reported that in-kind programs are not as efficient as cash programs in reducing poverty. By comparing the total amount spent on benefits in each program to the total amount the program reduces the poverty gap, an "efficiency ratio" was calculated. The efficiency ratio for cash transfer programs was higher than for food stamps, housing, and medical care programs regardless of the method used to value the in-kind benefits. Presumably, more of the in-kind programs' funds go to the nonpoor or to cover administrative and other program costs than does the cash programs' funds, according to the Commission's report.

The efficiency of in-kind programs in reducing poverty may depend on their objectives. For example, the primary objective of the Medicaid program is not to reduce poverty, but to provide adequate medical care to low-income persons.

---

[2]Seattle-Denver Income Maintenance Experiment (see p. 23).

How Should Benefits Be Delivered?

Which of the many current administrative arrangements for delivering benefits is best? A few programs--such as SSI and Earned Income Tax Credit (EITC)--are administered for the most part by the federal department or agency. Many of the large programs--such as AFDC, Food Stamp, and Medicaid--rely on complex federal-state administrative networks. Other programs--such as housing--are administered by local governments or private landlords. Thus, states and local agencies have significant roles in delivering benefits and, in many cases, a great deal of flexibility in how they organize and manage their welfare agencies. (See figure 3.)

Research findings consistently point out that the current benefit system--comprising up to 95 programs--is administratively inefficient and costly, and that greater uniformity in welfare program regulations, procedures, definitions, and terminology is needed. The system's lack of uniformity, researchers say, is a result of the fragmented, uncoordinated, and complex interactions between programs.

Researchers argue that inefficiency and high cost have been built into the system because it provides a substantial number of benefits through in-kind programs rather than cash. Welfare's cost and complexity also are seriously affected by the extensive administrative networks used to deliver welfare benefits. The organization of welfare programs, which has evolved piecemeal over 50 years, has diffused congressional oversight and complicated intergovernmental administrative networks.

A 1980 report by a federal interagency eligibility simplification project revealed widespread dissatisfaction:

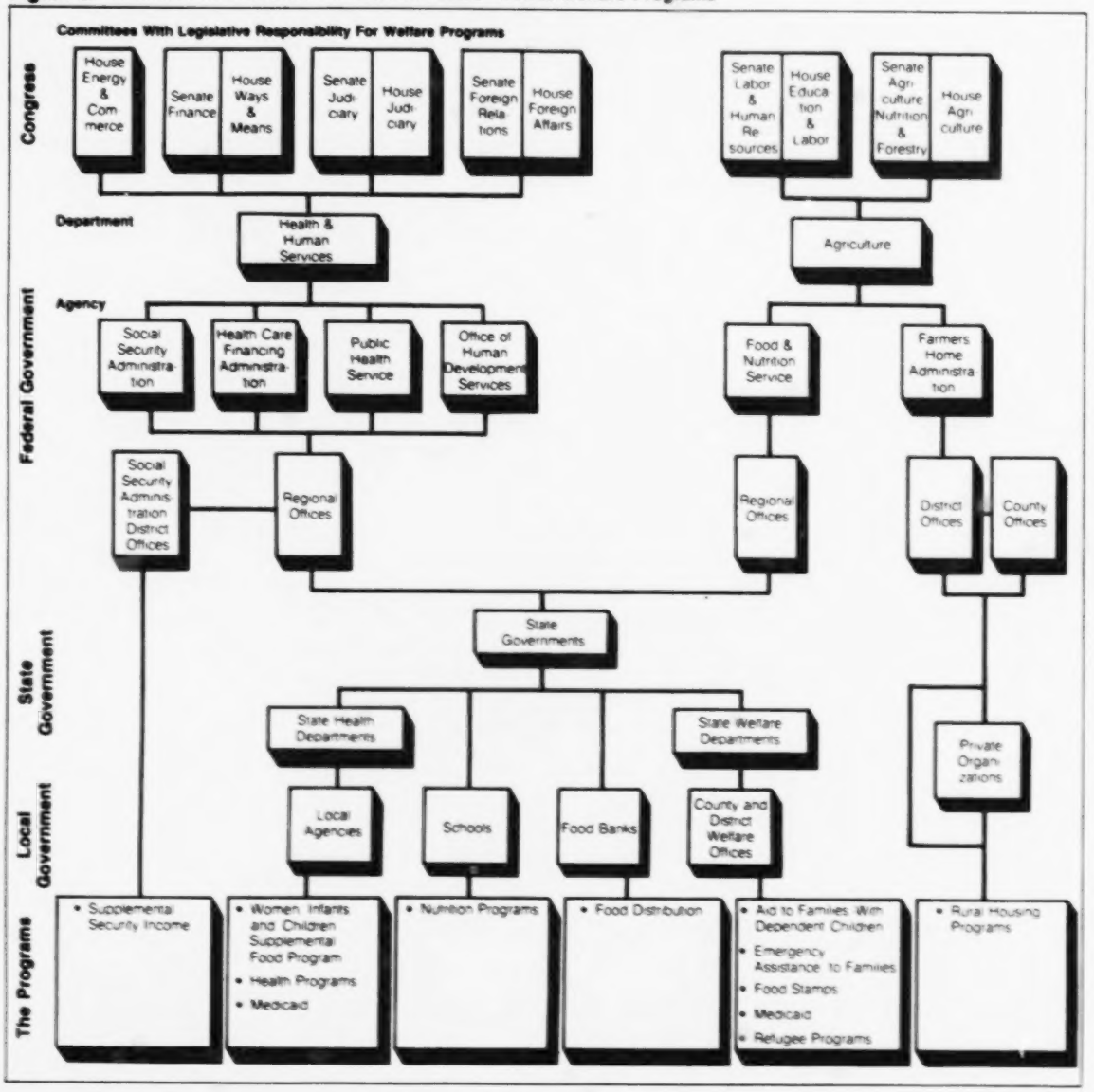
-- Recipients find programs difficult to understand, arbitrary and duplicative in their requirements, slow and unresponsive in meeting vital needs, and exhausting.

-- Administrators at the state and local level find paperwork requirements burdensome, regulations overly restrictive, and the programs unresponsive to change or reform.

-- Taxpayers view the programs as inefficient, wasteful, and error prone.

The study found that implementing integrated case management systems with automated eligibility features would save substantial administrative costs and lead to reduced error rates, improved services to clients, and reduced administrative workload.

Figure 3: Administrative Network For Selected Basic Needs Welfare Programs



In 1985, we reported that the differing and complex requirements of welfare programs affect how they interrelate in serving people. Each program has its own authorizing legislation and regulations. Operating rules of the various governmental levels involved in running the programs vary by program and state. Besides resulting in losses and inefficiencies, program differences have added to the confusion of administrators, recipients, and potential recipients. Further, we reported that the complexity caused agencies to extensively rely on computermatching to reduce errors and prevent fraud. The extensiveness of matching raises concerns about intrusions into individual privacy.

Total administrative costs of providing multiple benefits to a single recipient or family are higher than they would be if administration were centrally coordinated for all programs. Eligibility, for example, usually is individually determined by each program. This means that, because of widespread multiple-program participation, many recipients must go through having eligibility determined several times.

The 1977 Federal Paperwork Commission study found that up to 80 percent of administrative costs were related to eligibility determinations. The Commission concluded that cross-program eligibility determination costs could be reduced significantly if a single document were used to determine and verify eligibility, particularly in state-administered programs.

We are evaluating states' demonstration projects to determine if integration of services can reduce complexity and, thereby, improve access to recipients, eliminate needless bureaucracy, and reduce administrative costs. Most states have indicated that integrating services could increase welfare participation and decrease both federal and state administrative costs.

How Should the Delivery and Benefit Costs Be Funded?

Currently a variety of funding arrangements exist. For some programs, such as social services and energy assistance, the funding amount is capped, while in many of the larger programs, such as Medicaid and AFDC, it is open-ended. For many programs, the federal and state governments share program costs. The cost-sharing percentage varies among programs.

Researchers have found that program funding interactions for some programs create incentives for states to shift benefit costs to the federal government. They cite the AFDC and Food Stamp programs' federal/state benefit cost-sharing arrangements as an incentive for states to maintain AFDC benefit levels rather than increase them.

Food Stamp benefits, set and paid entirely by the federal government, are offset in part by AFDC benefits, set and partially paid by the states. So, if a state maintains a low AFDC payment, which is 50 percent federally funded, recipients receive higher Food Stamp benefits and the federal government pays a larger share of total benefits. When other program offsets are included, the incentive becomes greater for a state to maintain its AFDC payment level. A 1982 report by the Advisory Commission on Intergovernmental Relations said that, in some states, AFDC benefits would have to be increased by $1.43 to raise total recipient income by a dollar. Whether such a disincentive actually affects states' decisions in setting AFDC benefit levels is uncertain.

Researchers also report that, contrary to congressional intent, many states that rank high in per capita income receive a higher level of federal funds for some programs than states with lower per capita income. For example, the cost-sharing system for AFDC and Medicaid was designed to provide fiscal equity by adjusting the sharing ratio to reflect a state's ability to pay for these programs. The federal matching percentage is inversely related to state per capita income, with a sliding scale ranging from 50 to 78 percent. The 1982 report of the Advisory Commission showed that the distribution of funds has favored many states that rank high in per capita income and pay higher benefit levels under more liberal eligibility standards than do some states with lower per capita income, because the cost-sharing formula does not adjust for benefit level and participation differences between states.

Work/Dependency

It is sometimes charged that welfare removes the need and desire to work. Research indicates the present system has design features that could reduce incentives to work. The effect of these features on work behavior, however, is unclear. While research does not clearly support the contention that welfare creates a disincentive to work, it appears that welfare has done little to actively encourage work. Legislation passed in 1981, however, has allowed states the option of establishing new work programs. We are studying these new work programs to determine how effective they are in helping recipients become independent of welfare. Our previous work found some work demonstration projects had encouraging results, but the long-term prospects for reducing welfare dependency, and thus the welfare rolls, remain unclear.

Researchers have found movement on and off AFDC is widespread and that most AFDC recipients depend on welfare for less than 8 years. Studies of welfare dependency have centered on AFDC recipients and have consistently found that they fall into three groups: (1) short-term users (1 to 2 years), (2) moderate users (3 to 7 years), and (3) long-term users (8 or more years). Based

on a single period of time on AFDC, research shows that about one-half to two-thirds of all AFDC recipients are short-term users, one-fourth to one-third are moderate users, and only a few are long-term users. Research allowing for multiple periods of time on AFDC has found that the percentage of long-term users increases to about 30 percent of all AFDC recipients.

The research shows that likely long-term recipients can be predicted by certain characteristics, such as never-married status for younger women and low education level for older women. For example, one researcher found that never-married mothers under age 26 with a child under three constituted about one-third of all long-term recipients and they averaged over 10 years on welfare.

The perceived problems reported in the research of welfare's impact on recipient work efforts are

-- welfare with no work requirement allows able-bodied recipients to receive welfare rather than work,

-- eligibility and benefit factors of welfare programs create work disincentives, and

-- the system does not adequately address the obstacles preventing recipients from becoming independent.

Researchers have studied these problems by evaluating (1) the impact guaranteed income payments have on work efforts, (2) the effects on recipient behavior of benefit loss due to earnings, (3) the effects of benefits more generous than earnings, and (4) the effectiveness of work programs designed to reduce dependency.

Impact of Guaranteed Incomes

Fears that welfare with no work requirement would reduce work efforts were supported by the results of a large-scale income maintenance experiment run in the late 1960's and early 1970's. Called the Seattle-Denver Income Maintenance Experiment, or SIME/DIME, and sponsored by the Department of Health, Education and Welfare, the experiment tested the thesis that guaranteed income payments paid through a "negative income tax" would cause recipients to reduce work efforts significantly. A negative income tax payment guarantees a minimum cash income to families with no income, and reduces the cash payment according to a specified tax rate for each dollar of income.

The experiment consistently showed that guaranteeing income reduced work efforts by a small amount. Thus, fears of a sizable dependent population created by large-scale withdrawals of the working poor from the labor force were discounted. The results of the experiment are still debated. One debate centers on the

effect mandatory work requirements would have had on the experiment's outcome. The experiment had no mandatory work or job search requirement. One researcher argued that had the experiment included a mandatory work requirement, the outcome would have shown increased instead of decreased work efforts.

Effects of Benefit Loss Due to Earnings and of Benefits More Generous Than Earnings

Researchers argue that welfare may discourage work as a result of

-- excessive loss of benefits caused by earned income (high benefit reduction rates),

-- abrupt loss of some benefits rather than a gradual tapering off (the notch effect), and

-- generous benefits that make welfare more attractive than a job.

Studies provide inconclusive evidence of the effect these perceived disincentives have on recipient work efforts.

Benefit reduction rates are the rates at which welfare benefits are lost due to earned income. Researchers argue that high benefit reduction rates reduce work efforts because recipients gain very little by working. There is a general dilemma over establishing benefit levels that provide adequate benefits, keeping benefit reduction rates low enough so as not to be a work disincentive, and still keeping welfare costs low enough to be politically acceptable.

The effect of benefit reduction rates is illustrated in table 2--as hours worked increase welfare benefits decrease.

The table also illustrates how participating in multiple programs can result in higher benefit losses. In the second example the benefit reduction rate is higher because the recipient is in public housing. Earned income reduces benefits in varying amounts in the various programs. AFDC benefits are reduced dollar for dollar after subtracting allowable deductions. Food Stamp benefits are reduced by 30 cents for each dollar of countable earned income. Recipients enrolled in more than one program have higher reduction rates because the same dollar of income reduces benefits in several programs.

Table 2:

Benefit Reduction Rates Caused by Increased Work (January 1980)[a]

Benefits received	Weekly average hours of work at minimum wage			
	0 to 10	11 to 20	21 to 30	31 to 40
Example 1				
AFDC, Food Stamp, EITC	34%	44%	44%	51%
Example 2				
AFDC, Food Stamp, EITC, Public Housing	45%	61%	61%	69%

[a]The reduction rates shown here are before changes to the AFDC program by the 1981 Omnibus Budget Reconciliation Act. Under these changes, the reduction rates would be higher.

Source: Congressional Research Service

Recipients can experience an abrupt loss of benefits rather than a gradual tapering off when they increase their earnings. An AFDC parent receiving benefits due to unemployment loses all AFDC and Medicaid benefits if he or she works 100 or more hours in one month. If the parent works 99 hours or less, he or she remains eligible for benefits. This is called the "notch effect" because 1 hour of work can terminate eligibility.

Some researchers have suggested that benefits in some jurisdictions may be too generous. A study of the New York City welfare system showed that in the early 1970's, the combined benefits from AFDC, Medicaid, Food Stamp, and free school lunches were more than what could be earned from many of the city's low-skilled jobs.

Work Requirements

Since 1981 the focus of AFDC work program policy has shifted from passive incentives to active interventions and stringent requirements. At that time the administration proposed mandatory "workfare," which would have required employable recipients to work off their benefits. Instead of a mandatory program, the Congress, through the Omnibus Budget Reconciliation Act of 1981 and subsequent legislation, made workfare and several other approaches optional to the states.

The principal types of programs established were:

-- Work Incentive (WIN) demonstration projects, which usually offer a mixture of components, such as education, job search, work experience, classroom, and on-the-job training. The projects differ from regular WIN programs because they are administered by the state AFDC agency rather than the state employment agency. They also give the state more flexibility in designing the program.

-- Community Work Experience Program (known as workfare), in which AFDC recipients are required to work on public projects in exchange for their AFDC benefits.

-- Job Search, which requires participants to look for a job in a structured manner, either individually or as part of a group in a "job club."

-- Work Supplementation, sometimes called Grant Diversion, which allows the participants' welfare grant to be diverted to subsidize an on-the-job training position, often in the private sector, which may become unsubsidized employment.

The potential of reducing welfare dependency through mandatory work requirements is unknown because work demonstration projects are in their infancy and few useful evaluations of completed projects are available. In an August 1985 report Evidence Is Insufficient to Support the Administration's Proposed Changes to AFDC Work Programs (GAO/HRD-85-92), we reported that while some of 37 projects reviewed showed encouraging interim results in enhancing employment and earnings of recipients, their success depended partly on such factors as high economic growth and adequate financial support, making replication difficult. On January 29, 1987, we issued a report on our study of work programs begun since 1981.[3]

Family Unit

Research does not support the view that welfare encourages two-parent families to break up, or that unmarried women have children in order to become eligible for benefits.

Are Families Adversely Affected?

Concerns over welfare's impact on family stability have stemmed largely from the single-parent focus of AFDC. The conventional wisdom in the 1970's held the single-parent focus of the

---

[3]Work and Welfare: Current AFDC Work Programs and Implications for Federal Policy, GAO/HRD-87-34, January 29, 1987.

welfare system might be contributing to marital dissolution. At the time, AFDC was largely confined to one-parent families because the unemployed father program was not available in every state and, where available, was so restrictive that few men participated. It was believed that extending coverage to two-parent families would help stabilize marriages. Currently about half the states have elected the option of providing AFDC to two-parent families when the principal wage earner is unemployed.

According to a 1979 report by the University of Wisconsin's Institute for Research on Poverty, existing evidence indicates that providing aid to two-parent families in the AFDC-Unemployment Parent program appeared to actually increase marital instability rather than stability. The research did not indicate why.

Additional concerns about welfare's impact on family stability were raised in the 1970's by the Seattle-Denver Income Maintenance Experiment, which provided minimum guaranteed incomes to selected families. Initial analysis of the experiment data showed that families receiving a guaranteed income--similar to cash welfare payments--had higher dissolution rates than did other families. Although Department of Health and Human Services analysts cautioned that the study findings were not clearly understood and may not apply to welfare families, many researchers continued to cite the experiment as a basis for concern about welfare families' dissolution. However, recent analysis of the experiment data demonstrated that the experimental families did not have higher dissolution rates.

Some researchers assert that welfare contributes to the increasing numbers of unmarried mothers because women with few economic prospects can achieve a measure of financial independence by having a child. The few studies of this problem, however, indicate that welfare has little impact on the childbearing rates of unmarried women, even young unmarried women.

It appears, however, that welfare does affect living arrangements because it gives young mothers an incentive to form their own households. Research shows that single mothers in high-benefit states are more likely to live independently, while single mothers in low-benefit states who are not living with a partner are likely to live in the home of a parent. Research indicates that living at home may be better for some single mothers because they are more likely to remain in school or go to work.

APPENDIX I

WELFARE EVOLUTION AND REFORM EFFORTS

Passage of the Social Security Act in 1935 began a continuing federal role in promoting the economic security of the nation's population. The act established the first joint federal-state welfare programs of Old Age Assistance and Aid to Dependent Children (now AFDC). These welfare programs were designed to provide financial and health care services to those considered unemployable--dependent children, the aged, and the blind. The decision to create joint programs was an attempt to preserve state and local discretion over welfare.

During the 1960's the system expanded significantly with the creation of many new in-kind benefit programs as part of the Great Society initiatives, among them Food Stamp and Medicaid, along with others to provide assistance for education, vocational training, and housing. Also, eligibility for older programs was expanded. In 1961, for example, AFDC eligibility was broadened to allow states the option of providing benefits to unemployed fathers and to foster homes.

In the 1960's the welfare approach began to stress services in addition to support, rehabilitation instead of relief, and training for useful work instead of prolonged dependency. The intent was to help needy individuals become self-sufficient and move them off the welfare rolls.

In the late 1960's widespread dissatisfaction with the design of welfare increased national interest in finding solutions to many of welfare's persistent problems. Policy analysts believed the programs were fragmented, fostered wide variations in benefit levels, limited access to the system by the working poor in two-parent families, and, because of the high benefit reduction rates, discouraged work and perpetuated welfare dependency.

In 1967 the Congress passed Social Security amendments that tried to eliminate the work disincentives by allowing AFDC recipients to keep each month the first $30 earned and a third of all additional earnings without losing benefits.

In 1969 President Nixon's Family Assistance Program (FAP) represented the first major effort to reform the welfare system. It envisioned a single negative income tax payout to replace the numerous cash and in-kind benefits. The plan offered a guaranteed minimum income to a family. Because the proposed payment level was below AFDC payments in about 60 percent of the states, it was expected that these states would supplement the FAP payment so that no recipient would lose benefits. The FAP had a benefit reduction rate of 50 percent, a work test for determining who was employable, and provisions for providing some public service

jobs. It sought to cure some welfare problems by raising benefit levels in the poorest states and extending benefits to two-parent families. In addition, it proposed that the federal government assume greater administrative and financial responsibility.

FAP was not adopted because some politicians felt the guaranteed minimum income it offered was inadequate and others disliked its expanded federal role and eligibility. Debate over FAP, however, led to legislation establishing two major welfare programs--SSI and EITC.

President Carter's Program for Better Jobs and Income (PBJI) was another attempt at comprehensive reform based on a negative income tax. It offered a larger and more pervasive and intensive job component. The cash component sought to consolidate the AFDC, SSI, and Food Stamp programs into a single cash system. The work component sought public service employment for the primary earner in families with children and increased EITC payments as an incentive for private sector employment. Thus, the program would guarantee income, cash in lieu of food stamps, and federalize much of the welfare system.

PBJI was not adopted. Welfare recipients opposed PBJI because the public jobs component proposed to pay minimum wage rather than higher prevailing rates. Labor was against the same provision because it would undercut the wages of regular workers. Business feared too many subsidized jobs. The Congress did not like many of its components or its increased costs.

In 1982 the Reagan administration proposed a major welfare reform initiative. The proposal's centerpiece was a plan whereby the states would assume financial and administrative responsibilities for the Food Stamp and AFDC programs and, in return, the federal government would assume all costs of the Medicaid program. This goal was not achieved. Conservatives feared it would lead to nationalized health care. Liberals felt it would increase the already wide variations between state AFDC and Food Stamp benefit levels.

In other proposals, the Reagan administration sought to (1) tighten eligibility standards on a program-by-program basis in order to target benefits to only the "truly needy," (2) strengthen work requirements, and (3) improve program administration. These goals were achieved at least in part. Eligibility was tightened in several programs--the most notable being the AFDC program, where income disregards were eliminated after 4 months of aid. Strengthened work requirements were authorized by federal law and adopted by many states. The most notable administrative change was the enactment of a requirement that all states establish income and eligibility verification systems for the major welfare programs.

APPENDIX I

Most recent welfare reform measures introduced in the Congress have focused primarily on the work versus welfare issue. Other bills have sought increased child care grants, with some attention directed toward the child support enforcement program and on new programs for children and teenagers.

APPENDIX II

SELECTED SUMMARY INFORMATION FOR ALL HOUSEHOLD UNITS IN THE UNITED STATES FOR SEPTEMBER 1983[a]

Households	Projected Count	Projected Percent	Variance—standard error at 95% confidence	Computation Percent low range	Computation Percent high range
Total households	84,755,548[b]	100.00	0.00	0.00	100.00
Received AFDC benefits	2,646,530	3.12	1.76	1.36	4.88
Received SSI benefits	2,691,178	3.18	1.76	1.42	4.94
Received both AFDC and SSI	249,995[c]	0.29	1.77	0.00	2.06
Received means-tested cash benefits	6,896,549	8.14	1.71	6.43	9.85
Received Food Stamp benefits	6,218,398	7.34	1.72	5.62	9.06
Received Free Lunch assistance	4,698,208	5.54	1.74	3.80	7.28
Received Free Breakfast assistance	1,602,464	1.89	1.77	0.12	3.66
Received energy assistance	1,401,615	1.65	1.77	0.00	3.42
Received rental subsidy	1,383,010	1.63	1.77	0.00	3.40
Received public housing	2,276,087	2.57	1.76	0.80	4.33
Received WIC vouchers	502,437	0.59	1.78	0.00	2.37
Covered by Medicaid	5,311,852	6.27	1.73	4.54	8.00

[a]This information is derived for household units only in the United States during September 1983. Excluded are what are termed institutional households, which are not normally considered by Census as true households. The estimated percentages were based on the sample 19,778 households in the Wave 1 SIPP data base.

[b]We are 95 percent confident the estimate of total households is between 84,443,465 and 85,067,631.

[c]Since some of the estimates are based on limited sample occurrences, use of these estimates is cautioned.

GAO WELFARE REPORTS ISSUED--

1980 TO 1987

	Title	Report number	Date
1.	Public Assistance Benefits Vary Widely from State to State, but Generally Exceeded the Poverty Line	HRD-81-6	11-14-80
2.	New York State Public Assistance Cost-Sharing Policies: Implication for Federal Policy	PAD-81-11	12-16-80
3.	Millions Can Be Saved by Identifying Supplemental Security Income Recipients Owning Too Many Assets	HRD-81-4	02-04-81
4.	Income Maintenance Experiments: Need to Summarize Results and Communicate the Lessons Learned	HRD-81-46	04-17-81
5.	Lenient Rules Abet the Occupancy of Low Income Housing by Ineligible Tenants	CED-81-74	04-27-81
6.	HHS Moves to Improve Accuracy of AFDC Administrative Cost Allocation: Increased Oversight Needed	HRD-81-51	05-18-81
7.	Insights Gained in Workfare Demonstration Projects	CED-81-117	07-31-81
8.	States' Efforts to Detect Duplicate Public Assistance Payments	HRD-81-133	09-17-81
9.	Legislative and Administrative Changes to Improve Verification of Welfare Recipients' Income Could Save Millions	HRD-82-9	01-14-82
10.	Food Stamp Workfare: Cost Benefit Results Not Conclusive; Administrative Problems Continue	CED-82-44	02-19-82

	Title	Report number	Date
11.	States' Capability to Prevent or Detect Multiple Participation in the Food Stamp Program	CED-82-103	06-16-82
12.	An Overview of the WIN Program: Its Objectives, Accomplishments, and Problems	HRD-82-55	06-21-82
13.	Does AFDC Workfare Work: Information Is Not Yet Available from HHS's Demonstration Projects	IPE-83-3	01-24-83
14.	CWEP Implementation Results to Date Raise Questions About the Administration's Proposed Mandatory Workfare Program	PEMD-84-2	04-02-84
15.	Better Wage-Matching Systems and Procedures Would Enhance Food Stamp Program Integrity	RCED-84-112	09-11-84
16.	Eligible Verification and Privacy in Federal Benefit Programs: A Delicate Balance	HRD-85-22	03-01-85
17.	Overview and Perspectives on the Food Stamp Program	RCED-85-109	04-17-85
18.	Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits	RCED-84-155	04-25-85
19.	An Evaluation of the 1981 AFDC Changes: Final Report	PEMD-85-4	07-02-85
20.	Evidence Is Insufficient to Support the Administration's Proposed Changes to AFDC Work Program	HRD-85-92	08-27-85
21.	Federal Benefit Programs: A Profile	HRD-86-14	10-17-85
22.	States' Implementation of the 1984 Child Support Enforcement Amendments	HRD-86-40BR	12-24-85

APPENDIX III

	Title	Report number	Date
23.	Eligibility and Benefit Factors	HRD-86-107FS	07-09-86
24.	Projects to Coordinate Services for Low-Income Families	HRD-86-124FS	08-29-86
25.	Service Integration Demonstrations Under the 1984 Deficit Reduction Act	HRD-86-125BR	08-29-86
26.	Initial Results Show Valuation Methods Differentially Affect the Poor	PEMD-87-7BR	10-24-86
27.	Thirty-Two States' Views on Coordinating Services for Low-Income Families	HRD-87-6FS	10-30-86
28.	Current AFDC Work Programs and Implications for Federal Policy	HRD-87-34	01-29-87

BIBLIOGRAPHY OF MAJOR STUDIES REVIEWED

1. Aaron, Henry J. On Social Welfare. Cambridge, Mass. Abt Books, 1980.

2. _____. "Six Welfare Questions Still Searching for an Answer." Brookings Review, Vol. 3 (Fall 1984), pp. 12-17.

3. Administrative Reform in Welfare. U.S. Commission on Paperwork. Washington, D.C.: 1977.

4. "AFDC and Social Service Bills and Related Issues." U.S. Congress, House Committee on Ways and Means, Subcommittee on Public Assistance and Unemployment Compensation. Hearing, 98th Congress, 1st session. Washington D.C.: 1984.

5. AFDC Standards of Need: An Evaluation of Current Practices, Alternative Approaches, and Policy Options. Urban Systems Research & Engineering, Inc., U.S. Dept. of Health and Human Services. DHHS Publication No. (SSA) 13-11741. Washington, D.C.: 1981.

6. Bacon, Don. "Mess in Welfare--the Inside Story." U.S. News and World Report, Vol. 84 (1978), pp. 21-24.

7. Bane, Mary Jo., and David T. Ellwood. The Dynamics of Dependence: The Routes to Self-Sufficiency. Urban Systems Research and Engineering, Inc. Cambridge, Mass.: 1983.

8. Barmack, Judith A. "The Case Against In-Kind Transfers: The Food Stamp Program." Policy Analysis, Vol. 3 (1977), pp. 509-530.

9. Berkowitz, Edward D. The Safety Net After Three Years: Income Maintenance and Redistribution Programs in the Reagan Administration--Welfare. Washington, D.C.: American Enterprise Institute, 1983.

10. Berlin, Sharon B., and Linda E. Jones. "Life After Welfare: AFDC Termination Among Long-Term Recipients." Social Service Review, Vol. 57 (September 1983), pp. 378-402.

11. Bishop, John. Jobs, Cash Transfers, and Marital Instability: A Review of the Evidence. Special Report Series - Institute for Research on Poverty. Madison: University of Wisconsin, 1977.

12. Blaustein, Arthur I., ed. The American Promise: Equal Justice and Economic Opportunity. New Brunswick, N.J.: Transaction Books, 1982.

13. Blaydon, Colin C. "Income Support Policies and the Family." Daedalus, Vol. 106 (Spring 1977), pp. 147-161.

14. Burke, Vee. Cash and Noncash Benefits for Persons With Limited Income: Eligibility Rules, Recipient and Expenditure Data, FY 1982-1984. Congressional Research Service, Report number LTR85-1865, Washington, D.C.: 1985.

15. Burke, Vee, et al. Work Disincentives and Income Maintenance Programs. Congressional Research Service, Report Number LTR80-1089, Washington, D.C.: 1980.

16. Carleson, Robert B. "The Reagan Welfare Reforms." Institute for Socioeconomic Studies, Vol. 5 (Summer 1980), pp. 1-13.

17. ____. Taming the Welfare Monster; the Future Under President Reagan. Westport: Arlington House Publishers, 1981.

18. "Census and Designation of Poverty and Income." Joint Hearing before the Subcommittee on Census and Population of the Committee on Post Office and Civil Service and the Subcommittee on Oversight of the Committee on Ways and Means, House of Representatives, 98th Congress, 2nd Session. Washington, D.C.: G.P.O., 1984.

19. Center for Study of Social Policy. Coping with Poverty: Female-Headed Families in Poverty. Washington, D.C.: 1984.

20. _____. Coping With Poverty: Working Poor Families in Georgia. Washington, D.C.: 1984.

21. _____. Through the Briar Patch: A Case in Point. Washington, D.C., 1984.

22. Chambre, Susan Maizel. "Role Orientations and Intergenerational Welfare Use." Social Casework, Vol. 66 (1985), pp. 13-20.

23. Children, Youth and Families: 1983 - A Year End Report. U.S. Congress. House Select Committee on Children, Youth and Families. Washington, D.C.: 1984.

24. Coe, Richard P. "Welfare Dependency: Fact or Myth." Challenge, Vol. 25 (1982), pp. 43-49.

25. ____. A Longitudinal Analysis of Nonparticipation in the Food Stamp Program by Eligible Households. Madison: University of Wisconsin, 1985.

26. _____. "Nonparticipation in Welfare Programs by Eligible Households: The Case of the Food Stamp Program." Journal of Economic Issues, Vol. 17 (December 1983), pp. 1035-1056.

27. Danziger, Sandra K. The Impact of the Reagan Budget Cuts on Working Welfare Mothers in Wisconsin, Institute for Research on Poverty, Discussion Paper No. 761-84. Madison: University of Wisconsin, 1984.

28. Danziger, Sheldon, and Daniel Feaster. Income Transfers Poverty in the 1980s. Institute for Research on Poverty. Madison: University of Wisconsin, 1984.

29. Danziger, Sheldon, Irwin Garfinkel, and Robert Haveman. "Poverty, Welfare, and Earnings: A New Approach." Challenge, Vol. 22 (1979), pp. 28-34.

30. Danziger, Sheldon, and Robert Plotnick. The War on Income Poverty: Achievements and Failures. Institute for Research on Poverty. Madison: University of Wisconsin, 1981.

31. Darity, William A., and Samuel L. Myers. "Does Welfare Dependency Cause Female Hardship?: The Case of the Black Family." Journal of Marriage and the Family, Vol. 46 (November 1984), pp. 765-779.

32. Demkovich, Linda E. "Welfare Cheating--Dealing With the Problem and Not With the Image." National Journal (1984), pp. 1719-1722.

33. Demographic and Social Trends: Implications for Federal Support of Dependent Care Services for Children and the Elderly. Select Committee on Children, Youth and Families, House of Representatives, 98th Congress. Washington, D.C.: 1984.

34. Dimensions of Service Integration: Service Delivery, Program Linkages, Policy Management, Organizational Structure. Department of Health, Education, and Welfare. Prepared by Northern Illinois University, Center for Governmental Studies. Washington, D.C.: 1979.

35. Designing a More Efficient and Effective Means-Tested Welfare System: Welfare Reform in an Intergovernmental Context. Advisory Commission on Intergovernmental Relations, Washington, D.C.: 1985.

36. Donnelly, Harrison. "Millions of Poor Face Losses October 1, as Reconciliation Bill Spending Cuts Go Into Effect." Congressional Quarterly Report, Vol. 39 (1981), pp. 1833-1840.

37. Doolittle, Fredrick, Frank Levy, and Michael Wiseman. "The Mirage of Welfare Reform." Public Interest, Vol. 47 (Spring 1977), pp. 62-87.

38. Duncan, Greg J., and Saul D. Hoffman. "Welfare Dynamics and Welfare Policy: Past Evidence and Future Research Directions." Paper prepared for presentation at Association for Public Policy Analysis and Management Meetings, Washington, D.C.: 1985.

39. Dunn, Patricia. "The Reagan Solution for Aiding Families With Dependent Children: Reflections of an Earlier Era." The Attack on the Welfare State. Prospect Heights, Illinois: Waveland Press, 1984.

40. Ebb, Nancy, and Cheryl Lynch. State Options for Assisting Children in Poverty. Washington, D.C.: Children's Defense Fund, 1984.

41. Eligibility Simplification Project: An Interagency Study With Recommendations for Simplifying Client Eligibility Among Major Public Assistance Programs. Office of Management and Budget. Springfield, Va.: NTIS, 1980.

42. Ellwood, David T., and Lawrence Summers. Poverty in America: Is Welfare the Answer or the Problem? IRP Conference Paper. Madison: University of Wisconsin, 1984.

43. Ellwood, David T., and Mary Jo Bane. The Impact of AFDC on Family Structure and Living Arrangements. U.S. Department of Health and Human Services. Cambridge: Harvard University, 1984.

44. End Results: The Impact of Federal Policies Since 1980 on Low Income Americans. Center on Budget and Policy Priorities. Washington, D.C., 1984.

45. Estimates of Poverty Including the Value of Noncash Benefits: 1983. U.S. Bureau of the Census, Technical Paper 52. Washington, D.C.: 1984.

46. Falk, Gene, and Joe Richardson. Families With Children: Selected Characteristics of Benefit Recipients from the Survey of Income and Program Participation (SIPP). Congressional Research Service Report No. 85-220 EPW. Washington, D.C.: 1985.

47. The Federal Government in a Federal System: Current Intergovernmental Programs and Options for Change. Congressional Budget Office. Washington D.C.: 1983.

48. Fiscal Management of Federal Pass-Through Grants: the Need for More Uniform Requirements and Procedures. U.S. Advisory Commission on Intergovernmental Relations, Washington, D.C.: 1981.

49. Fraker, Thomas, Robert Moffitt, and Douglas Wolf. "Effective Tax Rates and Guarantees in the AFDC Program, 1967-1982." Journal of Human Resources, Vol. 20 (Spring 1985), pp. 251-263.

50. Goodsell, Charles B. "Welfare Waiting Rooms." Urban Life, Vol. 12 (1984), pp. 467-477.

51. Greenstein, Robert. "Losing Faith in Losing Ground." New Republic, Vol. 3662 (March 1985), pp. 12-17.

52. Hamilton, Edward K., and Francine F. Rabinovitz. Whose Ox Would be Healed: the Financial Effects of Federalization of Welfare. Durham: Institute of Policy Sciences and Public Affairs of Duke University, 1977.

53. Hanson, Russell L. "The Content of Welfare Policy: The States and Aid to Families with Dependent Children." Journal of Politics, Vol. 45 (August 1983), pp. 771-785.

54. Harrington, Michael. The New American Poverty, 1st. ed. New York: Holt, Rinehart, and Winston, 1984.

55. Hunter, Nan D. "Child Support Law and Policy: The Systematic Imposition of Costs on Women." Harvard Women's Law Journal, Vol. 6 (Spring 1983), pp. 1-27.

56. Hutchins, Robert M., Effects of the Omnibus Budget Reconciliation Act of 1981 (OBRA) Welfare Changes and Recession on Poverty. Committee on Ways and Means, Subcommittee on Oversight and Subcommittee on Public Assistance and Unemployment Compensation, House of Representatives. Committee Print. WMCP:98-33, Washington, D.C.: 1984.

57. Joe, Tom, et al. The Poor, Profiles of Families in Poverty; A Working Paper. Chicago: University of Chicago, 1981.

58. Jones, Brian J. "Toward a Constructive Theory for Anti-Poverty Policy." American Journal of Economics and Sociology, Vol. 43 (1984), pp. 247-256.

59. Levitan, Sar A., and Clifford M. Johnson. Beyond the Safety Net: Reviving the Promise of Opportunity in America. Cambridge, Mass. Ballinger Publishing Co., 1984.

60. Levy, Frank. The Logic of Welfare Reform. Washington, D.C.: Urban Institute Press, 1980.

61. MacDonald, Maurice. "Multiple Benefits and the Safety Net." Distributional Impacts of Public Policy. Madison, Wisc.: Institute for Research on Poverty, Kennikat Press, 1984.

62. _____. Evaluating Alternative Approaches to Measuring Basic Needs. Wisconsin Basic Needs Study Final Report to the Social Security Administration. Madison, Wisc.: Institute for Research on Poverty, 1984.

63. _____. "The Role of Multiple Benefits in Maintaining the Social Safety Net: The Case of Food Stamps." Journal of Human Resources, Vol. 20 (Summer 1985), pp. 421-436.

64. _____. Serial Multiple Benefits and Monthly Income Adequacy. Madison, Wisc.: Institute for Research on Poverty, 1985.

65. McDonald, Thomas, and Irving Piliavin. Attribution of Responsibility for Error in AFDC Payment Decisions. Madison, Wisc.: Institute for Research on Poverty, 1982.

66. Managing Federal Assistance in the 1980s. U.S. Office of Management and Budget. Washington, D.C.: 1980.

67. Marmor, Theodore R. "Public Medical Programs and Cash Assistance: The Problems of Program Integration," Integrating Income Maintenance Programs. New York: Academic Press, 1975.

68. "Measuring the Effects of the Reagan Welfare Changes on the Work Effort and Well-Being of Single Parents." Focus, Vol. 8 (Spring 1985), pp. 108.

69. Moore, K.A., and B.F. Wertheimer. "Teenage Childbearing and Welfare: Preventive and Ameliorative Strategies." Family Planning Perspectives, Vol. 16 (1984), pp. 285-289.

70. Moscovice, Ira, and William Craig. "The Omnibus Budget Reconciliation Act and the Working Poor." Social Service Review, Vol. 58 (March 1984), pp. 49-62.

71. Moynihan, Daniel Patrick. "The Rocky Road to Welfare Reform." Journal of the Institute for Socioeconomic Studies, Vol. 3 (Spring 1978) pp. 1-10.

72. (A) National Agenda for the Eighties: Report of the President's Commission for a National Agenda for the Eighties. Englewood Cliffs, NJ: Prentice-Hall, 1981.

73. National Association of Counties. American County Platform and Resolutions, 1980-1981. Washington, D.C.: National Association of Counties, 1980.

74. _____. Welfare Reform: A Plan for Change, Washington, D.C.: National Association of Counties, 1976.

75. National Council of La Raza. Proceedings of the Symposium on Chicanos and Welfare. Arlington, Va.: ERIC, 1976.

76. National Governors' Conference. National Welfare Reform: A Program for Change. Washington, D.C.: National Governors' Conference, 1977.

77. Nelson, Dawn. An Overview of the Survey of Income and Program Participation. U.S. Dept. of Commerce, Bureau of the Census, Survey of Income and Program Participation Series No. 8401. Washington, D.C.: 1984.

78. O'Neill, J.A., et al. Analysis of Time on Welfare. Office of the Assistant Secretary for Planning and Evaluation (HHS) Report No. OASPE/ISP-83-03-1. Springfield, Va.: NTIS, 1984.

79. Organization for Services in the Public Interest. Incapacity Under the Aid to Families With Dependent Children Program: A National Study of State Policies and Procedures. U.S. Dept. of Health and Human Services, DHHS Publication No. (SSA) 13-11746. Washington, D.C.: 1982.

80. Overview of the Seattle-Denver Income Maintenance Experiment Final Report. U.S. Dept. of Health and Human Services, Office of Income Security Policy. Washington, D.C.: 1983.

81. Paperwork and Red Tape: New Perspectives, New Directions. U.S. Office of Management and Budget, Washington, D.C.: U.S. Government Printing Office, 1977.

82. Pearce, Diana M. "The Feminization of Ghetto Poverty." Society, Vol. 21 (1983), pp. 70-74.

83. People or Paper? HEW-National Reporting/Monitoring Study, 1977 Draft. U.S. Dept. of Health, Education, and Welfare, Region X. Seattle, Wash.: 1977.

84. Peskin, Janice. Geographic Variation in a Federal Welfare System. Department of Health, Education, and Welfare Technical Analysis Paper No. 14. Washington, D.C.: 1977.

85. Piliavin, Irving, Stan Masters, and Tom Corbett. Administration and Organization Influences on AFDC Case Decision Errors: An Empirical Analysis. Institute for Research on Poverty, Madison: University of Wisconsin. 1979.

86. Plotnick, Robert, and Timothy Smeeding. "Poverty and Income Transfers: Past Trends and Future Prospects." Public Policy, Vol. 27 (Summer 1979), pp. 255-272.

87. Plotnick, Robert. "The Redistributive Impact of Cash Transfers." Public Finance Quarterly, Vol. 12 (1984), pp. 27-50.

88. Public Assistance in California: Facts and Figures. California Legislative Analyst. Sacramento: 1984.

89. Public Assistance: The Growth of a Federal Function. U.S. Advisory Commission on Intergovernmental Relations. Washington, D.C.: 1980.

90. Reducing Poverty Among Children. Congressional Budget Office. Washington, D.C.: 1985.

91. Reeves, Mavis M. State and Local Roles in the Federal System. Advisory Commission on Intergovernmental Relations. Washington, D.C.: 1982.

92. Rein, Mildren. "Work in Welfare: Past Failures and Future Strategies," Social Service Review, (June 1982), pp. 211-227.

93. Report on the 1977 Welfare Reform Study: the Secretary's Report to the President. U.S. Department of Health, Education, and Welfare. Washington, D.C.: 1977.

94. Rodgers, Harrell R. The Cost of Human Neglect: America's Welfare Failure. New York: M.E. Sharpe, 1982.

95. Sanger, Mary Bryna. "Generating Employment for AFDC Mothers." Social Service Review, Vol. 58 (1984) pp. 28-48.

96. Schmundt, Maria, et al. "When Do Recipients Value Transfers at Their Costs to Taxpayers?" Integrating Income Maintenance Programs. New York: Academic Press, 1975.

97. Schorr, Alvin L. "Single Parents, Women, and Public Policy." Journal of the Institute for Socioeconomic Studies, Vol. 6, No. 4 (1981-82), pp. 100-113.

98. Shipp, P. Royal. Poverty: Trends, Causes and Cures. Congressional Research Service Report No. 84-9 EPW. Washington, D.C.: 1984.

99. Sommers, Paul M., ed. Welfare Reform in America: Perspectives. Boston: Kluwer-Nijhoff, 1982.

100. Ties That Bind: HEW Management Planning Study. U.S. Dept. of Health, Education, and Welfare, Region X. Seattle, Wash.: 1976.

101. Weicher, John C. Maintaining the Safety Net: Income Redistribution Programs in the Reagan Administration. Washington, D.C.: American Enterprise Institute for Public Policy Research, 1984.

102. _____. "The 'Safety Net' and the 'Fairness' Issue" AEI Economist (August 1984), pp. 1-12.

103. Weinberg, Daniel H. "Filling the Poverty Gap: Multiple Transfer Program Participation." Journal of Human Resources, Vol. 20, No. 1 (1985), pp. 64-89.

104. Welfare Policy in the United States. Racine, Wisc.: Johnson Foundation, Inc., 1982.

105. Wisconsin Welfare Reform Study, 1978: Report and Recommendations of the Welfare Reform Study Advisory Committee. Dept. of Health and Social Services. Madison, Wisc.: 1979.

106. Wohlenberg, Ernest H. "A Regional Approach to Public Attitudes and Public Assistance." Social Service Review, Vol. 50, No. 3 (1976), pp. 491-505.

107. Women Still in Poverty. Commission on Civil Rights, Report No.: USCCR-CP-60. Washington, D.C.: 1979.

108. Worthington, Mark D., and Laurence E. Lynn. "Incremental Welfare Reform: A Strategy Whose Time Has Passed." Public Policy, Vol. 25. No. 1 (1977), pp. 49-80.

109. Young, Ned. "Work and Welfare." Journal of the Institute for Socioeconomic Studies, Vol. 3 (1978), pp. 40-51.

(105431)

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office
Post Office Box 6015
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are $2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.